



Kansas Department of Credit Unions

KDCU Newsletter

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Strategic Planning

Credit unions are encouraged to hold a strategic planning session, usually annually. Examiners include a document of resolution or an examiner's finding in the department's examination report recommending or requiring the credit union board of directors complete a strategic plan if a lack of ability to address core mission exists.

When working on a long-term strategic plan, it is easy to get stuck at the beginning. The board and management may have different ideas of the direction the credit union should go, a planning session is something everyone can share together and get down on paper agreement on a plan.

Start the planning session with a listing of key ratios such as the credit union's current net worth/total assets, delinquent loans/total loans, net charge-offs/average loans, delinquent loans/assets, return on average assets, gross income/average assets, yield on average loans and investments, cost of funds/average assets, net margin/average assets, operating expense/gross income, total loans/total assets, or loan and asset growth.

These ratios can be compared with peer average. After a thorough review of some if not all of these ratios, objectives for each

can be developed. A SWOT analysis can be used to focus attention on these objectives.

- **Strengths:** *attributes* to achieving the objective
- **Weaknesses:** *attributes* harmful to achieving the objective
- **Opportunities:** *conditions* helpful to achieving the objective
- **Threats:** conditions that could do damage to the objective.

Next a determination must be made whether the objectives are attainable, given the result of the SWOTs. If an objective is not attainable, a different objective is selected and the SWOT process repeated. What may represent strengths with respect to one objective may be weaknesses for another objective. Factors considered in the analysis may include personnel, budget, credit union field of membership, technology, statutes and regulations, sociocultural changes as well as changes in the marketplace or competition. The results can be displayed in the form of a matrix.

Use of the SWOT analysis is useful to get discussion going, initial objective determination, modification and final adoption of objectives by board, committee members and senior credit union management. Use of the process enables decision makers to compare current credit union performance with peer credit unions.

Progress toward attainment of the objectives should be measurable and tracked at each board meeting with the results recorded in the minutes. Results can be used for the annual planning session.

A budget should be developed from the objectives with projections out for a minimum of three years. This is a step we find usually missing from the results of most planning sessions. Broad objectives are developed without tying them to budget numbers.

What is described is one method of strategic planning. Credit unions may find other models useful.

Facilitators of strategic planning sessions may use models with which they are familiar.

Adoption of an achievable strategic plan that is supported by the stakeholders involved is more important than the process. Tracking achievement or non achievement of the plan's objectives and modifying the objectives at monthly board meetings is important.

Bulletins Issued

One bulletin was issued since the last newsletter:

2009-KDCU-CUB-11 Evaluating Residential Real Estate Mortgage Loan Modification Programs

Credit union management should be familiar with KDCU's Bulletins which are e-mailed to credit unions and posted on KDCU's web site.

Update on Credit Union Online Call Report System

The Department thanks credit unions for their work that enabled a fairly smooth transition to the 5300 online call reporting system.

Credit unions are reminded that the Report of Officials, disaster recovery information, IS&T and emergency contact information in the profile of the credit union need not be reported each quarter. This profile information should be updated as changes occur.

Call reports are due January 22, 2010 for the December 31, 2009 call report cycle.

Annual Audit Requirements

At least one audit during each

calendar year is required that covers the entire period of time that has elapsed since the previous audit.

For a credit union with total prior year-end assets of \$10 million or less, a supervisory committee annual audit and internal control checklist, an agreed-upon procedures engagement or a financial statement audit is required.

For a credit union with total prior year-end assets greater than \$10 million but less than \$250 million, an agreed-upon procedures engagement or a financial statement audit is required.

For a credit union with total prior year-end assets greater than \$250 million or greater, a financial

statement opinion audit is required.

The Supervisory Committee is responsible for engaging the firm conducting the audit, not the board of directors or the credit union manager.

Results of the audit are to be reported directly to the Supervisory Committee who presents the report to the board and credit union management.

Audit requirements are found in K.A.R. 121-10-1 and 121-10-2 at <http://www.kansas.gov/kdcu>.

Credit unions should contact their examiner or the Department's office if they have questions regarding compliance with the regulations.

Administrator's Remarks

2009 has been an interesting and challenging year for credit unions. Kansas credit unions are to be complimented for continuing for the most part to perform satisfactorily although reduced earnings have occurred due to investment losses by corporate credit unions and the recapitalization of the NCUSIF.

2010 will be another challenging year. Credit union management should be alert to changing interest and loan rates and adjust their rates quickly.

Happy holidays everyone.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on December 3, 2009. Council members attending were Garth Strand, Chair, Lee Williams, Vice-Chair, Denise Bonner, Carol Malecki, Sue Henke and Jim Holt. Guests were Jerel Wright, and Larry Eisenhauer.

The Council noted that two council positions will open on March 15, 2010. The incumbents are eligible for reappointment both having served only one term.

The Administrator updated the Council on examiner training, promotions, a retirement and other changes. Determination of which credit unions will be jointly examined with NCUA is in process. The number of credit unions requested by NCUA for joint examination appears to have increased for calendar year 2010.

The Council received several reports:

- ◆ Credit union status reports.
- ◆ KDCU financial reports.
- ◆ Kansas credit union condition report.
- ◆ Frequency of examinations report.

The Council extensively discussed the department's budget reports, the examination fee schedule and the fee fund.

The Kansas Credit Union Association reported on the effect of Reg. Z and Credit Card Act changes.

Kansas Corporate Credit Union reported on recent events in the corporate credit union system.

The next meeting of the Credit Union Advisory Council is scheduled for March 11, 2010.

Credit union members and officials are invited and encouraged to attend Council meetings. The Council meeting notice and agenda are posted on the department's web site.

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